

By: Gallegos

S.B. No. 1391

A BILL TO BE ENTITLED

AN ACT

relating to refinancing low-rate home loans involving natural disaster recovery funds.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Subchapter B, Chapter 343, Finance Code, is amended by adding Section 343.1011 to read as follows:

Sec. 343.1011. REFINANCING OF LOAN MADE WITH DISASTER RECOVERY FUNDS. (a) For purposes of this section, a low-rate home loan, including an open-end account and notwithstanding Section 343.002, is a home loan that at its inception carries an interest rate two percentage points or more below the yield on treasury securities having comparable periods of maturity to the loan maturity, except that if the loan's interest rate is subject to change, the maximum rate that may be charged at any time during the loan shall be used instead of the rate at the loan's inception to determine whether the loan is a low-rate home loan.

(b) A lender may not refinance, replace, or consolidate a low-rate home loan directly made by a government or nonprofit lender wholly or partly using or funded by community development block grant disaster recovery funds before the seventh anniversary of the date of the loan unless the new or consolidated loan has a lower interest rate and requires payment of a lesser amount of points and fees than the original loan or is a restructure to avoid foreclosure.

1 (c) In addition to other remedies provided by law, a lien
2 does not attach to real property that is based on a loan made in
3 violation of this section.

4 SECTION 2. The changes in law made by this Act apply only to
5 a loan closed on or after the effective date of this Act. A loan
6 closed before the effective date of this Act is governed by the law
7 in effect when the loan was closed, and the former law is continued
8 in effect for that purpose.

9 SECTION 3. This Act takes effect September 1, 2011.